

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name		County
Fiscal Year End	Opinion Date		Date Audit Report Submitted to State	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

YES
NO

Check each applicable box below. (See instructions for further detail.)

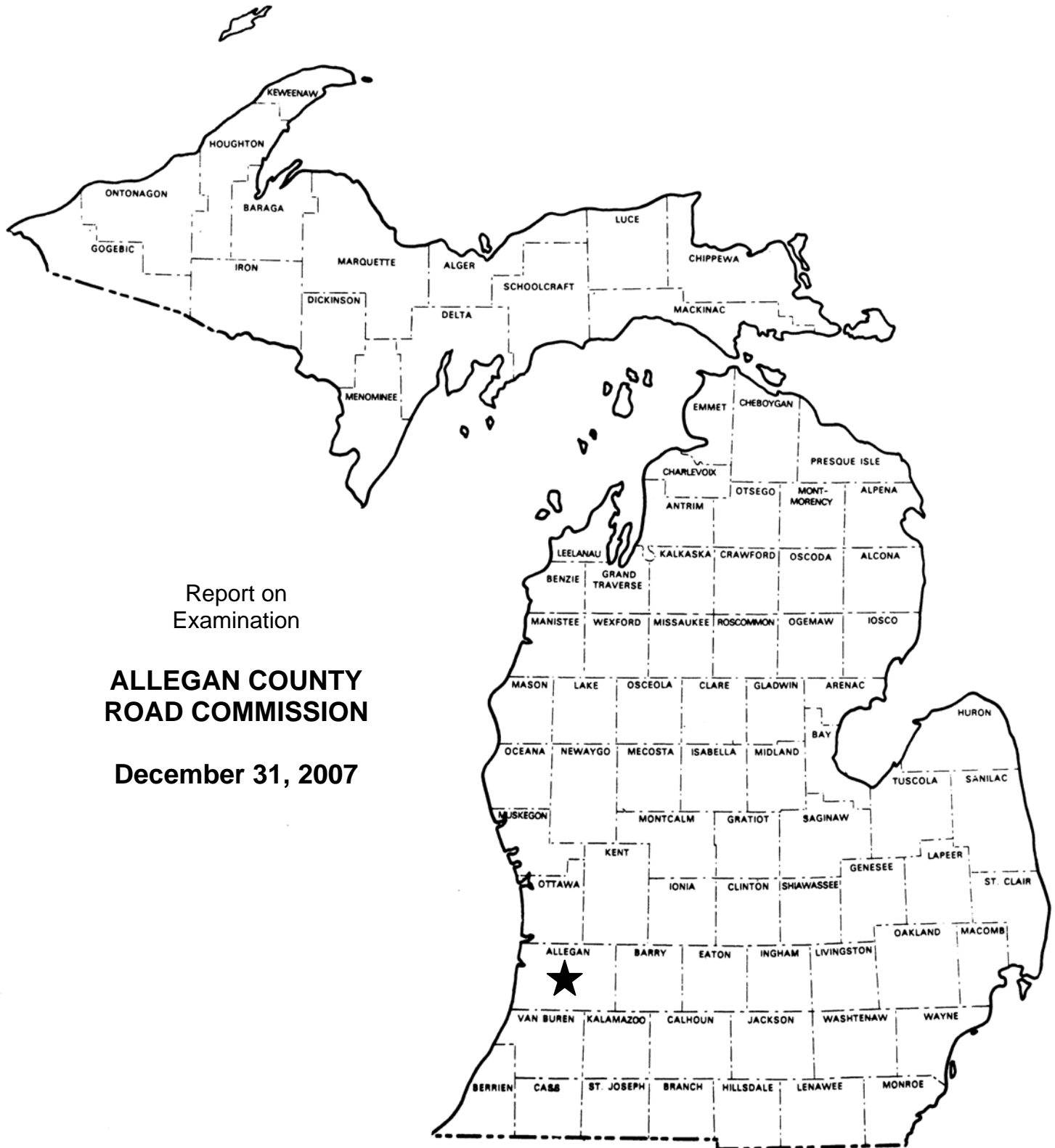
1. ☐ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☐ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☐ The local unit has adopted a budget for all required funds.
5. ☐ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☐ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☐ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☐ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☐ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☐ ☐ The local unit is free of repeated comments from previous years.
12. ☐ ☐ The audit opinion is UNQUALIFIED.
13. ☐ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☐ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☐ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name)		Telephone Number		
Street Address		City	State	Zip
Authorizing CPA Signature	Printed Name		License Number	

STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**ALLEGAN COUNTY
ROAD COMMISSION**

December 31, 2007

ALLEGAN COUNTY ROAD COMMISSION
BOARD OF COUNTY ROAD COMMISSIONERS

Bruce D. Culver
Chairman

John A. Cravens
Vice-Chairman

Robert T. Kaarlie
Member

William L. Nelson
Managing Director

Claire R. Patrick
Business Manager

COUNTY POPULATION--2000
105,665

STATE EQUALIZED VALUATION--2007
\$5,636,526,971



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

April 10, 2008

Allegan County Road Commission
Board of County Road Commissioners
1308 Lincoln Road
Allegan, Michigan 49010

RE: Unqualified Opinion on Basic Financial Statements

Independent Auditor's Report

Dear Commissioners:

We have audited the accompanying basic financial statements of the Allegan County Road Commission, a component unit of Allegan County, Michigan, as of and for the year ended December 31, 2007, as listed in the table of contents. These financial statements are the responsibility of the Road Commission's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Allegan County Road Commission, as of December 31, 2007, and the results of operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated April 10, 2008 on our consideration of the Allegan County Road Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on

compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 8 and the budget comparison information in Exhibits G and H are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements of Allegan County Road Commission. The accompanying supplemental information presented as Exhibits I through K is for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.

A handwritten signature in dark ink, appearing to read 'CJ Vaughn', is positioned above the printed name.

Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

ALLEGAN COUNTY ROAD COMMISSION

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ALLEGAN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of Allegan County Road Commission's financial performance provides an overview of the Road Commission's financial activities for the calendar year ended December 31, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Road Commission and present a longer-term view of the Road Commission's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Road Commission's operations in more detail than the government-wide financial statements.

Overview of the Financial Statements

This annual report consists of four parts--Management's Discussion and Analysis (this section), the basic financial statements, required supplementary information, and an additional section that presents the operating fund broken down between primary, local and county funds. The basic financial statements include two kinds of statements that present different views of the Road Commission:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Road Commission's overall financial status. These statements report information about the Road Commission, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid. The two government-wide statements report the Road Commission's net assets and how they have changed. "Net assets" is the difference between the assets and liabilities--this is one way to measure the Road Commission's financial health or position.
- The remaining statements are fund financial statements that focus on individual funds; reporting the operations in more detail than the government-wide statements.

Reporting the Road Commission as a Whole

Government-Wide Statements

The Statement of Net Assets and the Statement of Activities report information about the Road Commission, as a whole, and about its activities in a way that helps answer the question of whether the Road Commission, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets includes all of the Road Commission's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

ALLEGAN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements, mentioned above, report the Road Commission's net assets and how they have changed. The reader can think of the Road Commission's net assets (the difference between assets and liabilities) as one way to measure the Road Commission's financial health or financial position. Over time, increases or decreases in the Road Commission's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Road Commission you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Road Commission's roads, and changes in the law related to the gas taxes and its distribution.

Fund Financial Statements

The Road Commission currently has only one fund, the General Operations Fund. All of the Road Commission's activities are accounted for in this fund. The General Operations Fund is a governmental fund type. Our analysis of the Road Commission's major fund begins on page 4. The fund financial statements begin on page 9 and provide detailed information about the major fund.

Governmental funds focus on how money flows into and out of this fund and the balances left at year end that are available for spending. This fund is reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund statements provide a detailed short-term view of the Road Commission's general governmental operations and the basic service it provides. Governmental fund information helps the reader to determine whether there are more or fewer financial resources that can be spent in the near future to finance the Road Commission's services. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and the Governmental Fund in a reconciliation following the fund financial statements.

Financial Analysis of the Road Commission as a Whole

The Road Commission's net assets increased approximately 6.32%, or \$8,130,841, from \$128,651,918 to \$136,782,759 for the year ended December 31, 2007. The net assets and change in net assets are summarized below.

Net Assets

Restricted net assets are those net assets that have constraints placed on them by either: a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the government to assess, levy, and charge or otherwise mandate payment of resources and includes a legally enforceable requirement that those resources be used only for the specific purpose stipulated in the legislation. As such, all assets (except for assets invested in capital assets-net of related debt) are considered restricted.

ALLEGAN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

The restricted net assets increased by \$635,831 during 2007. The primary reasons for the increase were due to a decrease in resurfacing millage program expenditures and an increase in the county-wide millage.

The investment in capital assets-net of related debt increased by \$7,495,010. The increase in net assets is primarily the result of the infrastructure additions of \$11,462,874 for the year 2007. The depreciation for the current year's infrastructure will be depreciated in the subsequent year.

Net assets as of year ended December 31, 2007 follows:

	<u>2006</u>	<u>2007</u>	<u>Difference</u>	<u>Percent</u>
Current and Other Assets	\$ 8,323,347	\$ 9,453,889	\$ 1,130,542	13.58%
Capital Assets	<u>123,890,382</u>	<u>131,385,392</u>	<u>7,495,010</u>	<u>6.05%</u>
Total Assets	<u>132,213,729</u>	<u>140,839,281</u>	<u>8,625,552</u>	<u>6.52%</u>
Liabilities				
Current	486,395	711,801	225,406	46.34%
Noncurrent	<u>3,075,416</u>	<u>3,344,721</u>	<u>269,305</u>	<u>8.76%</u>
Total Liabilities	<u>3,561,811</u>	<u>4,056,522</u>	<u>494,711</u>	<u>13.89%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	123,890,382	131,385,392	7,495,010	6.05%
Restricted	<u>4,761,536</u>	<u>5,397,367</u>	<u>635,831</u>	<u>13.35%</u>
Total Net Assets	<u><u>\$ 128,651,918</u></u>	<u><u>\$ 136,782,759</u></u>	<u><u>\$ 8,130,841</u></u>	<u><u>6.32%</u></u>

ALLEGAN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

A summary of changes in net assets for the year ended December 31, 2007 follows:

	Governmental Activities		Variance Increase (Decrease)	%
	2006	2007		
Program Revenue				
License and Permits	\$ 23,346	\$ 23,700	\$ 354	1.52%
Federal Grants	2,462,844	1,647,531	(815,313)	-33.10%
State Grants	9,167,176	10,300,892	1,133,716	12.37%
Contributions From Local Units	5,452,629	5,860,638	408,009	7.48%
Reimbursements	40,030	35,000	(5,030)	-12.57%
Interest and Rents	83,820	173,991	90,171	107.58%
Charges for Services	27,512	12,845	(14,667)	-53.31%
General Revenue				
Taxes	2,474,663	2,690,318	215,655	8.71%
Gain on Equipment Disposal	467,199	220,515	(246,684)	-52.80%
Total Revenue	20,199,219	20,965,430	766,211	3.79%
Expenses				
Public Works	11,120,577	12,834,589	1,714,012	15.41%
Interest Expense	2,339		(2,339)	-100.00%
Total Expenses	11,122,916	12,834,589	1,711,673	15.39%
Increase (Decrease) in Net Assets	9,076,303	8,130,841	(945,462)	-10.42%
Beginning Net Assets	119,575,615	128,651,918	9,076,303	7.59%
Ending Net Assets	<u>\$ 128,651,918</u>	<u>\$ 136,782,759</u>	<u>\$ 8,130,841</u>	<u>6.32%</u>

The Road Commission's Fund

The Road Commission's General Operations Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county which are earmarked by law for road and highway purposes.

ALLEGAN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

For the year ended December 31, 2007, the fund balance of the General Operations Fund increased \$644,629 as compared to an increase of \$770,588 in the fund balance for the year ended December 31, 2006. Total operating revenues were \$20,965,429, an increase of \$766,210 as compared to last year. This change in revenues resulted primarily from an increase of Federal and State grants of \$318,403, an increase in township contributions of \$408,009 and an increase in taxes of \$215,655. Total expenditures were \$20,320,800, an increase of \$892,169 as compared to last year. The change in expenditures is due primarily to an increase of winter maintenance of \$1,616,339 and a decrease in preservation/structural improvements of \$785,746.

A summary of changes in the Operating Fund is as follows:

	12/31/06 Operating Fund	12/31/07 Operating Fund	Favorable (Unfavorable) Variance	Variance %
Revenues				
Taxes	\$ 2,474,663	\$ 2,690,318	\$ 215,655	8.71%
License and Permits	23,346	23,700	354	1.52%
Federal Grants	2,462,844	1,647,531	(815,313)	-33.10%
State Grants	9,167,176	10,300,892	1,133,716	12.37%
Contributions From Local Units	5,452,629	5,860,638	408,009	7.48%
Charges for Services	27,512	12,844	(14,668)	-53.31%
Interest and Rents	83,820	173,991	90,171	107.58%
Other Revenue	507,229	255,515	(251,714)	-49.63%
Total Revenues	20,199,219	20,965,429	766,210	3.79%
Expenditures				
Public Works	19,459,708	20,126,144	(666,436)	-3.42%
Capital Outlay	(231,045)	194,656	(425,701)	184.25%
Debt Service	199,968		199,968	100.00%
Total Expenditures	19,428,631	20,320,800	(892,169)	-4.59%
Excess of Expenditures Over Revenues	770,588	644,629	(125,959)	16.35%
Excess of Revenues and Other Financing Sources Over Expenditures	770,588	644,629	(125,959)	16.35%
Fund Balance--Beginning	4,419,547	5,190,135	770,588	17.44%
Fund Balance--Ending	\$ 5,190,135	\$ 5,834,764	\$ 644,629	12.42%

ALLEGAN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

Budgetary Highlights

Prior to the beginning of any year, the Road Commission's budget is compiled based upon certain assumptions and facts available at that time. During the year, the Road Commission Board acts to amend its budget to reflect changes in these original assumptions, facts and/or economic conditions that were unknown at the time the original budget was compiled. In addition, by policy, the board reviews and authorizes large expenditures when requested throughout the year.

The final amended revenue budget for 2007 was \$329,300 higher than the original budget. There were two primary reasons for the net change. The first reason was a decrease in the Federal and State funding due to the timing of a local bridge project. The second reason was an increase in expected Township Contributions. In addition, there were some smaller increases in the County-Wide Millage, interest income, gain on sale of fixed assets, and projected MTF funds. The actual revenue recognized during 2007 was \$430,029 higher than the final amended budget.

The final amended expenditure budget for 2007 was \$72,500 higher than the original budget. There were two main reasons for the net change. The first was a decrease in the Primary Preservation and Structural Improvement Activity due primarily to not using all the funds collected by the County-Wide Millage. The second was an increase in the Primary and Local Winter Maintenance Activity due to a harsher winter than was originally planned. The actual expenditures recognized during 2007 were \$8,700 less than the final amended budget. There were no unfavorable variances in any expenditure line-items.

ALLEGAN COUNTY ROAD COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets

As of December 31, 2007, the Road Commission had invested \$131,385,392 in capital assets. This amount represents a net increase (including additions and deductions) of \$7,495,010 or 6.05% as follows:

	2006	2007	Total Percentage Change 2006-2007
Capital Assets Not being Depreciated			
Land and Improvements	\$ 139,787	\$ 139,787	0.00%
Land/Right-of-Way	1,524,891	1,586,955	4.07%
Infrastructure Land Improvements	61,426,021	64,818,943	5.52%
Subtotal	<u>63,090,699</u>	<u>66,545,685</u>	<u>5.48%</u>
Capital Assets Being Depreciated			
Buildings	1,383,385	1,383,385	0.00%
Equipment	9,930,161	10,601,344	6.76%
Yard and Storage	1,065,073	1,065,073	0.00%
Infrastructure	89,848,384	96,311,334	7.19%
Subtotal	<u>102,227,003</u>	<u>109,361,136</u>	<u>6.98%</u>
Total Capital Assets	<u>165,317,702</u>	<u>175,906,821</u>	<u>6.41%</u>
Total Accumulated Depreciation	<u>(41,427,320)</u>	<u>(44,521,429)</u>	<u>7.47%</u>
Total Net Capital Assets	<u><u>\$123,890,382</u></u>	<u><u>\$131,385,392</u></u>	<u><u>6.05%</u></u>

The Road Commission reported the infrastructure and related assets during the current year in the amount of \$11,462,874. The infrastructure recorded, during 2007, will be depreciated in the following year. The infrastructure is financed through Federal, State and local contributions.

This year's major capital asset additions included the following:

Reconstruction of Bridges (by Location)	\$ 1,269,131
Various Resurfacing Projects and Related Land/Right-of-Way	10,193,742
Trucks/Equipment	1,019,358
Administrative and Engineering	<u>8,494</u>
Total Additions	<u><u>\$12,490,725</u></u>

There were no installment purchase agreements entered into during 2007; all the equipment was acquired with Road Commission funds.

ALLEGAN COUNTY ROAD COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS

During 2007, the Road Commission traded in and/or disposed of assets with a purchase amount of \$1,901,605, related depreciation of \$1,897,121, and net book value of \$4,484.

Debt

During 2007, there was no new debt. In 2008, the Road Commission anticipates borrowing \$708,900 from the State through the Jobs Today Program. The repayment of the loan is scheduled for our fiscal year 2010 when the Federal Equity Bonus Funds and Federal Surface Transportation Funds become available.

Other obligations include accrued leave time. More detailed information about the Road Commission's long-term liabilities is presented in Note G to the financial statements.

Economic Factors and Next Year's Budget

The Board of County Road Commissioners considered many factors when setting the fiscal year 2008 budget. One of the factors is the economy. The Road Commission derived approximately 40% of its revenues from the fuel tax collected in 2007. We are projecting 6.5% decrease in MTF funds due to the poor economy and high gas prices. The Road Commission received approximately 28% of its revenues from township contributions during 2007. This amount fluctuates with the approved road projects and depends on what and how much the townships can afford to participate. We are anticipating that the townships will spend \$4,779,000 in 2008, a decrease of 18%. During 2008, we expect to receive \$3,764,000 in Federal and State aid for road projects, a 7 % increase.

The above items were considered when adopting the budget for 2008. Amounts available for appropriation in the 2008 budget are \$19,292,200, a decrease of 6% over the 2007 final amended budget of \$20,535,400.

Contacting the Road Commission's Financial Management

This financial report is designed to provide the motoring public, citizens and other interested parties a general overview of the Road Commission's finances and to show the accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Allegan County Road Commission's administrative offices at 1308 Lincoln Road, Allegan, Michigan 49010.

**ALLEGAN COUNTY ROAD COMMISSION
STATEMENT OF NET ASSETS
December 31, 2007**

EXHIBIT A

ASSETS

Cash	\$ 2,746,077
Investments	538,312
Accounts Receivable	
Taxes	2,907,324
Interest Receivable	35,421
Sundry Accounts	23,298
Michigan Transportation Fund	1,287,138
State--Other	284,996
Due on County Road Agreements	380,375
Due From Primary Government	8,235
Inventories	
Road Materials	376,683
Equipment Parts and Materials	354,826
Prepaid Expenses	94,077
Long-Term Advance--State of Michigan	417,127
Capital Assets (Net of Accumulated Depreciation) (Note F)	<u>131,385,392</u>
Total Assets	<u>140,839,281</u>

LIABILITIES

Current Liabilities	
Accounts Payable	500,593
Due to State of Michigan	43,496
Accrued Liabilities	155,632
Performance Bonds Payable	12,080
Deferred Revenue	
Property Taxes	2,907,324
Noncurrent Liabilities	
Vested Employee Benefits Payable	<u>437,397</u>
Total Liabilities	<u>4,056,522</u>

NET ASSETS

Investment in Capital Assets	
Net of Related Debt	131,385,392
Restricted for County Roads	<u>5,397,367</u>
Total Net Assets	<u>\$136,782,759</u>

The Notes to Financial Statements are an integral part of this statement.

ALLEGAN COUNTY ROAD COMMISSION
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

EXHIBIT B

Program Expenses	
Primary Road Maintenance	\$ 2,275,042
Local Road Maintenance	5,888,544
Net Equipment Expense	(472,143)
Net Administrative Expense	646,302
Non-Road Project	325,526
Infrastructure Depreciation	4,162,519
Compensated Absences	8,799
	<hr/>
Total Program Expenses	12,834,589
	<hr/>
Program Revenue	
Charges for Services	
License and Permits	23,700
Charges for Services	12,845
Operating Grants and Contributions	
Michigan Transportation Funds	8,426,499
Investment Earnings	173,991
Private Contributions	35,000
Contributions From Local Units	1,241,656
Capital Grants and Contributions	
Federal Grants	1,647,531
State Grants	1,874,393
Contributions From Local Units	4,618,982
	<hr/>
Total Program Revenue	18,054,597
	<hr/>
Net Program Revenue	5,220,008
	<hr/>
General Revenue	
Taxes	2,690,318
Gain on Equipment Disposal	220,515
	<hr/>
Total General Revenues	2,910,833
	<hr/>
Change in Net Assets	8,130,841
	<hr/>
Net Assets	
Beginning of Year	128,651,918
	<hr/>
End of Year	<u>\$ 136,782,759</u>

The Notes to Financial Statements are an integral part of this statement.

**ALLEGAN COUNTY ROAD COMMISSION
BALANCE SHEET
December 31, 2007**

EXHIBIT C

	GOVERNMENTAL FUND TYPE
	General Operating Fund
<u>ASSETS</u>	
Cash	\$2,746,077
Investments	538,312
Taxes Receivable	2,907,324
Accounts Receivable	
Interest Receivable	35,421
Sundry Accounts	23,298
Michigan Transportation Fund	1,287,138
State Highway--Other	284,996
Due on County Road Agreements	380,375
Due From Primary Government	8,235
Inventories	
Road Materials	376,683
Equipment Parts and Materials	354,826
Prepaid Expense	94,077
Long-Term Advance--State of Michigan	417,127
	<hr/>
Total Assets	<u><u>\$9,453,889</u></u>
<u>LIABILITIES AND FUND EQUITY</u>	
Liabilities	
Accounts Payable	\$ 500,593
Accrued Liabilities	155,632
Due to State of Michigan	43,496
Performance Bonds Payable	12,080
Deferred Revenue--Property Taxes	2,907,324
	<hr/>
Total Liabilities	<u>3,619,125</u>
Fund Equities	
Fund Balance	
Reserved for Inventory	731,509
Reserved for Long-Term Receivables	141,427
Unreserved and Undesignated	4,961,828
	<hr/>
Total Fund Equities	<u>5,834,764</u>
Total Liabilities and Fund Equities	<u><u>\$9,453,889</u></u>

The Notes to Financial Statements are an integral part of this statement.

**ALLEGAN COUNTY ROAD COMMISSION
RECONCILIATION OF THE BALANCE SHEET FUND
BALANCE TO THE STATEMENT OF NET ASSETS
For the Year Ended December 31, 2007**

EXHIBIT D

Total Governmental Fund Balance \$ 5,834,764

Amounts reported for governmental activities in the Statement of Net Assets
are different because:

Capital assets used in governmental activities are not financial resources
and, therefore, are not reported in the funds. 131,385,392

Other long-term assets are not available to pay for current period
expenditures and, therefore, are not reported in the funds. (437,397)

Net Assets of Governmental Activities \$ 136,782,759

The Notes to Financial Statements are an integral part of this statement.

ALLEGAN COUNTY ROAD COMMISSION
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
For the Year Ended December 31, 2007

EXHIBIT E

	<u>Operating Fund</u>
Revenues	
Taxes	\$ 2,690,318
License and Permits	23,700
Federal Grants	1,647,531
State Grants	10,300,892
Contributions From Local Units	5,860,638
Charges for Services	12,844
Interest and Rents	173,991
Other Revenue	<u>255,515</u>
Total Revenues	<u>20,965,429</u>
Expenditures	
Public Works	20,126,144
Capital Outlay--Net	<u>194,656</u>
Total Expenditures	<u>20,320,800</u>
Excess of Revenues Over (Under) Expenditures	<u>644,629</u>
Fund Balance--January 1, 2007	<u>5,190,135</u>
Fund Balance--December 31, 2007	<u><u>\$ 5,834,764</u></u>

The Notes to Financial Statements are an integral part of this statement.

**ALLEGAN COUNTY ROAD COMMISSION
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE OF
GOVERNMENTAL FUNDS TO THE STATEMENTS OF ACTIVITIES
For the Year Ended December 31, 2007**

EXHIBIT F

Net Change in Fund Balance--Total Governmental Funds	\$ 644,630
------------------------------------------------------	------------

Amounts reported for governmental activities in the Statement of Activities
are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period. Equipment retirement is recorded as an expenditure credit in governmental funds, but not recorded as an expense in the Statement of Activities.	11,657,529
-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. (Increase in compensated absences and infrastructure depreciation)	<u>(4,171,318)</u>
--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------

Change in Net Assets of Governmental Activities	<u><u>\$ 8,130,841</u></u>
-------------------------------------------------	----------------------------

The Notes to Financial Statements are an integral part of this statement.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

The accounting policies of the Allegan County Road Commission conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by Allegan County Road Commission.

NOTE A--REPORTING ENTITY

The Allegan County Road Commission, which is established pursuant to the County Road Law (MCL 224.1), is governed by a 3 member board of county road commissioners appointed by the county board of commissioners. The Road Commission may not issue debt without the county's approval and property tax levies for road purposes are subject to county board of commissioners' approval.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, these financial statements present the Allegan County Road Commission, a discretely presented component unit of Allegan County.

The Road Commission Operating Fund is used to control the expenditures of Michigan Transportation Fund monies distributed to the county, which are earmarked by law for street and highway purposes. The board of county road commissioners is responsible for the administration of the Road Commission Operating Fund.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information on all of the activities of the Allegan County Road Commission. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Road Commission's assets and liabilities with the difference being reported as either invested in capital assets-net of related debt, or restricted net assets.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expense is those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Presentation--Fund Financial Statements

Separate financial statements are provided for the Operating Fund (governmental fund). The Operating Fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions.

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Amounts reported as program revenue include: (1) charges to customer or applicants for goods or services or privileges provided; (2) Michigan transportation funds, State/Federal contracts and township contributions. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

When both restricted and unrestricted resources are available for use, it is the Road Commission's policy to use restricted resources first, then unrestricted resources as needed.

Measurement Focus/Basis of Accounting--Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Measurable refers to the ability to quantify in monetary terms of the amount of the revenue. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences, claims, and judgments are recorded only when payment is due.

Michigan transportation funds, grants, permits, township contributions and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be available only when cash is received by the government.

Cash and Investments

Cash is considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes Receivable

The property tax is levied on each December 1st on the taxable valuation of property located in the county as of the preceding December 31st. The 2007 taxable valuation of Allegan County amounted to \$4,120,045,735, less \$1,186,709,822 for cities and villages on which ad valorem taxes of .9998 mills were levied for the Road Commission for road construction purposes for a total of \$2,907,324.

The county's 2007 ad valorem tax is levied and collectible on December 1, 2007, and is reported as taxes receivable and is offset by deferred revenue at December 31, 2007.

Inventories

Inventories are priced at cost as determined on the average unit cost method. Inventory items are charged to road construction and maintenance, equipment repairs, and operations as used.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaid expense in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges and similar items) are reported in the Operating Fund in the government-wide financial statements. Capital assets are defined by Allegan County Road Commission as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of two years. Such assets are recorded at historical costs or estimated historical cost of purchase or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation

Depreciation is computed on the sum-of-the-years'-digits method for road equipment and straight-line method for all other capital assets. The depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Buildings	30 to 50 years
Road Equipment	5 to 8 years
Shop Equipment	10 years
Engineering Equipment	4 to 10 years
Office Equipment	4 to 10 years
Infrastructure--Roads	8 to 30 years
Infrastructure--Bridges	12 to 50 years

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property Taxes

Property taxes are levied on each December 1st on the taxable valuation of property as of the preceding December 31st. Taxes are considered delinquent on March 1st of the following year, at which time penalties and interest are assessed.

The Road Commission's tax is levied and collectible on December 1, 2007 and is recognized as revenue in the year ended December 31, 2008, when the proceeds of the levy are budgeted and available for the financing of operations.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Operating Fund Statement of Net Assets.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

NOTE C--BUDGETARY PROCEDURES

Budgetary procedures are established pursuant to Public Act 2 of 1968, as amended (MCL 141.421) which requires the county board of road commissioners to approve a budget for the County Road Fund. Pursuant to the Act, the Road Commission's chief financial officer prepares and submits a proposed operating budget to the board of road commissioners for its review and consideration. The board does not conduct a public budget hearing; the budget is submitted to the county and included in its public hearing. The budget is amended as necessary during the year, and is approved by the board. The budget is prepared on the modified accrual basis of accounting, which is the same basis as the financial statements.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS

Michigan Compiled Laws 129.91, authorizes the county to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements, bankers' acceptance of United States banks; commercial paper rated within the two highest classifications, which mature not more than 270 days after the date of purchase, obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Road Commission has designated seven financial institutions for the deposit of Road Commission funds. The investment policy adopted by the board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Road Commission's deposits and investment policy are in accordance with statutory authority.

At year end, the Road Commission's deposits and investments were reported in the basic financial statements in the following categories:

Bank Deposits (Checking and Savings Accounts, Certificates of Deposit)	\$ 2,745,977
Investments in Government Operating Money Markets and Government Securities	538,312
Petty Cash and Cash on Hand	<u>100</u>
Total	<u><u>\$ 3,284,389</u></u>

The bank balance of the primary government's deposits is \$3,363,029, of which \$382,236 is covered by Federal depository insurance.

Investments Authorized by the Road Commission's Investment Policy

The Road Commission's investment policy only authorizes investment in all those that are authorized by law. The Road Commission has limited their investments to government operating money markets and government securities purchased in the name of the Road Commission.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Road Commission manages its exposure to interest rate risk is by participating in mutual funds which hold diverse investments that are authorized by law for direct investment.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

Information about the sensitivity of the fair values of the Road Commission's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the Road Commission's investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (in Months)</u>		
	<u>12 Months or Less</u>	<u>13 to 24 Months</u>	<u>25 to 60 Months</u>
Government Securities	<u>\$ 538,312</u>	<u>\$ 535,312</u>	<u> </u>
Total	<u><u>\$ 538,312</u></u>	<u><u>\$ 535,312</u></u>	<u><u>\$ -</u></u>

Concentration of Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The mutual funds and pension trust funds do not have a rating provided by a nationally recognized statistical rating organization.

The investment policy of the Road Commission contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by Michigan law.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) Michigan law, the Road Commission's investment policy, or debt agreements, and the actual rating as of year end for each investment type.

<u>Investment Type</u>	<u>Rated Debt Investments</u>			
	<u>Fair Value</u>	<u>Rating S & P</u>	<u>Fair Value</u>	<u>Rating Moody's</u>
Cash and Cash Equivalents	\$ 36,634		\$ 36,634	
Government Securities	<u>501,678</u>	AAA	<u>501,678</u>	Aaa
Total	<u><u>\$ 538,312</u></u>		<u><u>\$ 538,312</u></u>	

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE D--CASH AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker/dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law and the Road Commission's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools.

NOTE E--INTERFUND RECEIVABLES AND PAYABLES

At December 31, 2007, the county (primary government) owed the Road Commission \$8,235 for the Richmond Bridge Project.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS

The following is a summary of changes in the capital assets:

	Account Balances 01/01/07	Additions	Deductions	Account Balances 12/31/07
Capital Assets Not Being Depreciated				
Land and Improvements	\$ 139,787			\$ 139,787
Land/Right-of-Way	1,524,891	\$ 62,064		1,586,955
Infrastructure Land Improvements	61,426,021	3,392,922		64,818,943
Subtotal	63,090,699	3,454,986	\$ -	66,545,685
Capital Assets Being Depreciated				
Buildings	1,383,385			1,383,385
Road Equipment	9,835,050	1,019,358	323,433	10,530,975
Shop Equipment	32,513		25,576	6,937
Office Equipment	30,918	6,499		37,417
Engineer's Equipment	31,680	1,995	7,661	26,014
Yard and Storage	1,065,073			1,065,073
Infrastructure--Traffic Signals		60,255		60,255
Infrastructure--Bridges	9,719,434	1,269,131		10,988,565
Infrastructure--Roads	80,128,950	6,678,499	1,544,935	85,262,514
Total	102,227,003	9,035,737	1,901,605	109,361,135
Less Accumulated Depreciation				
Buildings	667,436	25,037		692,473
Road Equipment	8,003,448	767,136	318,949	8,451,635
Shop Equipment	29,623	1,387	25,576	5,434
Office Equipment	23,704	5,305		29,009
Engineer's Equipment	16,805	7,548	7,661	16,692
Yard and Storage	184,576	22,296		206,872
Infrastructure--Bridges	2,254,055	233,319		2,487,374
Infrastructure--Roads	30,247,673	3,929,201	1,544,935	32,631,939
Total	41,427,320	4,991,229	1,897,121	44,521,428
Net Capital Assets Being Depreciated	60,799,683	9,035,737	4,995,713	64,839,707
Total Net Capital Assets	<u>\$ 123,890,382</u>	<u>\$ 12,490,723</u>	<u>\$ 4,995,713</u>	<u>\$ 131,385,392</u>

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE F--CAPITAL ASSETS (Continued)

Depreciation expense was charged to the following activities:

Net Equipment Expense	
Direct Equipment	\$ 767,136
Indirect Equipment	48,720
Net Administrative Expense	
Office Equipment	5,305
Engineering	7,548
Infrastructure Depreciation Expense	<u>4,162,520</u>
Total Depreciation Expense	<u><u>\$4,991,229</u></u>

NOTE G--VESTED EMPLOYEE BENEFITS

Employees with 6 months of seniority are granted leave time of 16 hours per month. Office employees get an additional 16 hours of leave pay on January 1st of each year. Employees of the Local Union No. 517M, with 6 months or more of seniority, shall be granted 5 hours of leave pay on January 1st of each year. This leave time may be used to cover absences because of illness or vacation. Such leave may be accumulated to a maximum of 768 hours.

On the first payday of June each year, employees are paid an amount equal to all leave accrued in excess of 576 hours as shown in the records on December 31st of the preceding year. Accumulated leave time is payable in full upon resignation or retirement. Office employees leave time is payable in full upon resignation, termination or retirement. As of December 31, 2007, the balance of the vested employee benefits is \$427,397.

NOTE H--DEFERRED COMPENSATION PLAN

The Road Commission offers all its employees a deferred compensation plan created in accordance with the Internal Revenue Code, Section 457. The assets of the plans were held in trust (custodial account or annuity contract) as described in IRC Section 457 (g) for the exclusive benefit of the participants (employees) and their beneficiaries. The custodian thereof for the exclusive benefit of the participants holds the custodial account for the beneficiaries of this Section 457 plan, and the assets may not be diverted to any other use. The administrators are agents of the employer (Allegan County Road Commission) for the purposes of providing direction to the custodian of the custodial account from time to time for the investment of the funds held in the account, transfer of assets to or from the account, and all other matters. In accordance with the provisions of GASB Statement No. 32, plan balances and activities are not reflected in the Road Commission's financial statements.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE I--POST-EMPLOYMENT HEALTH CARE BENEFITS

The Road Commission provides post-employment health care benefits, in accordance with the respective bargaining agreements and personnel policy as follows:

Employees that belong to the office bargaining unit and nonrepresented employees contribute the cost of their health care insurance coverage in accordance with the terms and conditions as applicable to them as of their last date of active service with the Road Commission. If the employee retires subsequent to December 31, 1993, he/she will pay 4% of all premium costs incurred. Beginning January 1, 1999, all employees who retire and begin to receive benefits from MERS (Michigan Municipal Employees' Retirement System), may receive a maximum of five years of the paid health care insurance program, irrespective of age, and will be responsible to pay 4% of all premium costs incurred. Any member of the bargaining unit who retires during the period January 1, 2004 through December 31, 2007, will not be required to pay co-pay for health insurance premiums. Premiums incurred on behalf of the retiree's spouse or dependents is the responsibility of the retired employee. When the retired employee attains the age of 65 years, the employer's contribution shall end under the contracts.

Employees that belong to the Local Union No. 517M, Service Employees' International Union contribute the cost of their health care insurance coverage in accordance with the terms and conditions as applicable to them as of their last date of active service with the Road Commission. The Road Commission shall provide health care insurance coverage, for a period of five (5) years, for all members who retire with twenty or more years of service and receive benefits from the Michigan Municipal Employees' Retirement System. The board will provide benefits only to the employee and the board's obligation do not include the coverage of a retired employee's spouse or dependents. The board shall provide no benefits to any employee after reaching the age of 65 years.

Currently, 9 retirees meet those eligibility requirements. Expenditures for post-employment health care benefits are recognized as the insurance premiums become due. During the year, expenditures of \$50,073 were recognized for post-employment health care by the Road Commission.

In December 2007 the Road Commission approved a Health Care Savings Plan (HCSP) for three employee groups. The HCSP is an employer-sponsored savings account designed to set aside money to cover the escalating costs of post-employment health care. Under the program, contributions are made by active employees. Once employees leave employment with the Allegan County Road Commission, regardless of the reason or age at the time of leave, reimbursement may be made, tax exempt, for healthcare related expenses. At December 31, 2007, the Allegan County Road Commission had not started its contributions to the HCSP. However, several employees made voluntary contributions of their longevity pay. Starting in January 2008, the Road Commission matched employee's contributions up to \$10 per month.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN

Plan Description

The Allegan County Road Commission is in an agent multi employer-defined benefit pension plan with the Municipal Employees' Retirement System (MERS), administered by the State of Michigan. The system provides the following provisions: normal retirement, deferred retirement, service retirement allowance, disability retirement allowance, non-duty connected death and post-retirement adjustments to plan members and their beneficiaries. The service requirement is computed using credited service at the time of termination of membership multiplied by the sum of 2% times the final average compensation (FAC). The most recent period for which actuarial data was available was for the fiscal year ended December 31, 2006.

MERS was organized pursuant to Section 12a of Public Act 156 of 1851, as amended (MCL 46.12a) State of Michigan. MERS is regulated under Public Act 427 of 1984, sections of which have been approved by the State Pension Commission. MERS issues a publicly available financial report that includes financial statements and required supplementary information for the system. That report may be obtained by writing to the MERS at 1134 Municipal Way, Lansing, Michigan 48917.

Funding Policy

The obligation to contribute to and maintain the system for these employees was established by negotiation with the Road Commission's competitive bargaining unit and personnel policy, which requires employees to contribute 4.7% of annual compensation. The employees contributed \$131,850 during 2006 was in accordance with the competitive bargaining and personnel policy. The Road Commission is required to contribute at an actuarially determined rate which was 6.82% of the annual payroll for the union and supervisors and 5.27% for administration based on the 2004 actuarial valuation beginning on January 1, 2006.

Annual Pension Cost

During the year ended December 31, 2006, the Road Commission was required to make \$202,082 in contributions as determined by an actuarial valuation of the plan as of December 31, 2006 and the employees contributed \$131,850 in accordance with the plan. The employer contribution rate has been determined based on the entry age normal funding method. Under the entry age normal cost funding method, the total employer contribution is comprised of the normal cost plus the level annual percentage of payroll payment required amortizing the unfunded actuarial accrued liability over 30 years. The employer normal cost is, for each employee, the level percentage of payroll contribution (from entry age to retirement) required to accumulate sufficient assets at the member's retirement to pay for his projected benefit. Significant actuarial assumptions used include a long-term investment yield rate of 8% and annual salary increases of 4.5% based on an age-related scale to reflect merit, longevity, and promotional salary increases.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE J--EMPLOYEE PENSION PLAN (Continued)

Three Year Trend Information for GASB Statement No. 27

<u>Year Ended Dec 31</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
2004	\$ 260,948	100%	\$0
2005	301,426	100%	0
2006	333,932	100%	0

Required Supplementary Information for GASB Statement No. 27

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percent of Covered Payroll</u>
12/31/04	\$ 13,195,275	\$ 14,453,113	\$ 1,257,838	91%	\$ 2,754,152	46%
12/31/05	13,649,053	15,269,350	1,620,297	89%	2,805,153	58%
12/31/06	14,283,541	15,911,593	1,628,052	90%	2,725,574	60%

NOTE K--RISK MANAGEMENT

The Road Commission is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Road Commission has purchased commercial insurance from Inland Marine for physical damage (building and contents) and medical benefit claims. The Road Commission participates in the Michigan County Road Commission Self-Insurance Pool for claims relating to general liability, excess liability, auto liability, errors and omissions and physical damage (equipment). The Road Commission participates in the County Road Commission Self-Insurance Fund (CRCSIF) for workers' compensation insurance. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

The county road commissions in the State of Michigan established a trust fund, known as the Michigan County Road Commission Self-Insurance Pool (Pool) pursuant to the provision of Public Act 138 of 1982. The Pool is to provide for joint and cooperative action relative to members' financial and administrative resources for the purpose of providing risk management services along with property and liability protection. Membership is restricted to road commissions and related road commission activities with the State. The Allegan County Road Commission became a member in the pool in April 1984 and became a member of CRCSIF in 1981.

The Michigan County Self-Insurance Pool program operates as a common risk-sharing management program for road commissions in Michigan. Member premiums are used to purchase excess insurance coverage and to pay member claims in excess of deductible amounts.

ALLEGAN COUNTY ROAD COMMISSION

NOTES TO FINANCIAL STATEMENTS

NOTE L--CONTINGENT LIABILITIES

The Road Commission, in connection with the normal conduct of its affairs, is involved in various claims, judgments and litigation. The Road Commission's insurance carrier estimates that the potential claims against the Road Commission, not covered by insurance resulting from such litigation, would not materially affect the financial statements of the Road Commission.

NOTE M--FEDERAL GRANTS

The Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the calendar year ended December 31, 2007, the Federal aid received and expended by the Road Commission was \$1,647,531 for contracted projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted Federal projects are not subject to Single Audit requirements by the road commissions, as they are included in MDOT's Single Audit.

During the calendar year ended December 31, 2007, the Road Commission did not receive any Federal negotiated projects. Negotiated projects are projects that are performed by the Road Commission and are subject to Single Audit requirements, if the amount expended is \$500,000 or more. A Single Audit was not required for the calendar year ended December 31, 2007.

ALLEGAN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF REVENUES AND OTHER FINANCING SOURCES
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2007

EXHIBIT G

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Taxes				
Property Taxes	\$ 2,600,100	\$ 2,692,200	\$ 2,690,318	\$ (1,882)
License and Permits				
Permits	25,000	24,000	23,700	(300)
Federal Grants				
Surface Transportation Program	1,215,000	911,000	1,351,737	440,737
Hazard Elimination Safety	250,000	-	-	-
Federal Critical Bridge	353,000	10,000	9,537	(463)
Congestion Mitigation and Air Quality		244,000	243,670	(330)
Economic D Funds		19,000	42,587	23,587
State Grants				
Michigan Transportation Fund				
Engineering	10,000	10,000	10,000	-
Primary Road	4,727,000	4,856,000	4,855,710	(290)
Local Road	3,085,000	3,088,000	3,087,170	(830)
Primary Urban Road	246,000	265,000	264,591	(409)
Local Urban Road	95,000	92,000	91,026	(974)
Snow Removal	124,000	119,000	118,002	(998)
Critical Bridge	1,120,000	996,000	995,810	(190)
Economic Development Funds				
"D" Funds	530,000	793,000	768,218	(24,782)
Jobs Today	296,000	111,000	110,365	(635)
Contributions--Local Units				
Townships	5,300,000	5,861,000	5,860,638	(362)
Charges for Services				
Salvage Sales	5,000	10,000	9,163	(837)
Service Charge	15,000	1,200	3,681	2,481
Interest and Rents				
Interest Earned	100,000	174,000	173,991	(9)
Other Revenue				
Private Contributions		35,000	35,000	-
Reimbursements	10,000	3,000	-	(3,000)
Gain on Equipment Disposal	100,000	221,000	220,515	(485)
Total Operating Revenue	20,206,100	20,535,400	<u>\$ 20,965,429</u>	<u>\$ 430,029</u>
Fund Balance--January 1, 2007	4,446,647	4,446,647		
Total Budget	<u>\$ 24,652,747</u>	<u>\$ 24,982,047</u>		

ALLEGAN COUNTY ROAD COMMISSION
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EXPENDITURES--BUDGET AND ACTUAL
BUDGETARY COMPARISON SCHEDULE
For the Year Ended December 31, 2007

EXHIBIT H

	Original Adopted Budget	Final Amended Budget	Actual	Variance Favorable (Unfavorable)
Primary Road				
Preservation/Structural Improvements	\$ 6,482,000	\$ 5,519,000	\$ 5,518,612	\$ 388
Routine and Preventive Maintenance	1,905,000	2,262,000	2,261,088	912
Local Road				
Construction/Capacity Improvements		12,000	11,876	124
Preservation/Structural Improvements	4,300,000	4,664,000	4,663,254	746
Routine and Preventive Maintenance	4,950,000	5,862,000	5,860,543	1,457
Primary Road Structure				
Preservation/Structural Improvements	1,175,000	1,215,000	1,214,067	933
Routine and Preventive Maintenance	25,000	14,000	13,954	46
Local Road Structure				
Preservation/Structural Improvements	1,271,000	56,000	55,065	935
Routine and Preventive Maintenance	5,000	28,500	28,001	499
Equipment Expense--Net	(50,000)	(471,000)		
Direct			\$1,370,910	
Indirect			903,415	
Operating			602,217	
Less: Equipment Rentals			<u>(3,348,686)</u>	1,144
Administrative Expense--Net	594,000	647,000		
Administrative Expense			646,911	
Engineering Expense			-	
Less: Purchase Discounts			<u>(609)</u>	698
Non Road Project		326,000	325,526	474
Capital Outlay--Net	(400,000)	195,000		
Capital Outlay			1,027,852	
Less: Depreciation Credits			(828,711)	
Equipment Retirements			<u>(4,485)</u>	344
Total Expenditures	20,257,000	20,329,500	<u>\$20,320,800</u>	<u>\$ 8,700</u>
Fund Balance--December 31, 2007	<u>4,395,747</u>	<u>4,652,547</u>		
Total Budget	<u>\$ 24,652,747</u>	<u>\$ 24,982,047</u>		

ALLEGAN COUNTY ROAD COMMISSION
ANALYSIS OF CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

EXHIBIT I

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Total Revenues	\$12,087,300	\$ 8,830,060	\$ 48,069	\$20,965,429
Total Expenditures	9,685,096	10,661,663	(25,959)	20,320,800
Excess of Revenues Over (Under) Expenditures	2,402,204	(1,831,603)	74,028	644,629
Other Financing Sources (Uses)				
Optional Transfers	(1,537,925)	1,537,925		-
Interfund Adjustment		140,627	(140,627)	-
Total Other Financing Sources (Uses)	(1,537,925)	1,678,552	(140,627)	-
Excess of Revenues Over (Under) Expenditures and Other Financing Sources and (Uses)	864,279	(153,051)	(66,599)	644,629
Fund Balance--January 1, 2007	4,964,041	153,051	73,043	5,190,135
Fund Balance--December 31, 2007	\$ 5,828,320	\$ -	\$ 6,444	\$ 5,834,764

ALLEGAN COUNTY ROAD COMMISSION
ANALYSIS OF REVENUES AND OTHER FINANCING SOURCES
For the Year Ended December 31, 2007

EXHIBIT J

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Taxes				
Property Taxes	\$ 2,690,151		\$ 167	\$ 2,690,318
License and Permits				
Permits			23,700	23,700
Federal Aid				
Surface Transportation Program	1,351,737			1,351,737
Critical Bridge		\$ 9,537		9,537
Congestion Mitigation and Air Quality	243,670			243,670
Economic D Funds	42,587			42,587
State Aid				
Michigan Transportation Fund				
Engineering	6,114	3,886		10,000
Allocation	4,855,710	3,087,170		7,942,880
Urban Roads	264,591	91,026		355,617
Snow Removal		118,002		118,002
Critical Bridge	994,022	1,788		995,810
Jobs Today	110,365			110,365
Economic Development Funds				
"D" Funds	768,218			768,218
Contributions--Local Units				
Townships	358,834	5,501,804		5,860,638
Charges for Services				
Salvage Sales			9,163	9,163
Service Charge	911	1,731	1,039	3,681
Interest and Rents				
Interest Earned	146,422	15,116	12,453	173,991
Other Revenue				
Private Contributions	35,000			35,000
Gain on Equipment Disposal	218,968		1,547	220,515
Total Operating Revenue	\$ 12,087,300	\$ 8,830,060	\$ 48,069	\$20,965,429

ALLEGAN COUNTY ROAD COMMISSION
ANALYSIS OF EXPENDITURES
For the Year Ended December 31, 2007

EXHIBIT K

	Primary Road Fund	Local Road Fund	County Road Commission	Total
Primary Road				
Preservation/Structural Improvements	\$ 5,518,612			\$ 5,518,612
Routine and Preventive Maintenance	2,261,088			2,261,088
Local Road				
Construction/Capacity Improvements		\$ 11,876		11,876
Preservation/Structural Improvements		4,663,254		4,663,254
Routine and Preventive Maintenance		5,860,543		5,860,543
Primary Road Structures				
Preservation/Structural Improvements	1,214,067			1,214,067
Routine and Preventive Maintenance	13,954			13,954
Local Road Structures				
Preservation/Structural Improvements		55,065		55,065
Routine and Preventive Maintenance		28,001		28,001
Equipment Expense--Net (Per Exhibit H)	(145,278)	(306,752)	\$ (20,114)	(472,144)
Administrative Expense--Net (Per Exhibit H)	296,626	349,676		646,302
Non Road Project	325,526			325,526
Capital Outlay--Net (Per Exhibit H)	200,501		(5,845)	194,656
Total Expenditures	\$ 9,685,096	\$ 10,661,663	\$ (25,959)	\$ 20,320,800



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

April 10, 2008

Allegan County Road Commission
Board of County Road Commissioners
1308 Lincoln Road
Allegan, Michigan 49010

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other
Matters Based on an Audit of the Financial Statements Performed in Accordance With
Government Auditing Standards

Dear Commissioners:

We have audited the financial statements of the Allegan County Road Commission, a component unit of Allegan County, as of and for the year ended December 31, 2007, and have issued our report thereon dated April 10, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Allegan County Road Commission's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Allegan County Road Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Allegan County Road Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Road Commission's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Road Commission's financial statements that is more than inconsequential will not be prevented or detected by the Road Commission's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Road Commission's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Allegan County Road Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Allegan County Board of Road Commissioners, the Road Commission's management, others within the Road Commission, Federal and State awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division